

STATEWIDE ISSUES

This section includes issues that affect multiple departments in various major program areas.

GENERAL FUND REDUCTION

Control Section 4.07 reduces General Fund appropriations in fiscal year 2008-09 by a total of \$50 million. To the extent practical, these reductions shall capture savings in departmental personal services budgets resulting from position vacancies. If there are not sufficient General Fund reductions related to position vacancies to reach \$50 million, then additional General Fund reductions will be made to achieve the required reduction.

CASH MANAGEMENT IMPROVEMENT PLAN

In the past, the state disbursed significantly more General Fund dollars than what had been collected between the months of July and March of each year. This resulted in a very low cash balance by the end of each March and necessitated the issuance of large amounts of external borrowing to cover cash needs. The Administration proposed and the Legislature approved a plan to improve cash management to smooth cash flow imbalances and to reduce the amount of external borrowing the state will need to meet its cash needs in 2008-09. To smooth out the cash flow imbalances, certain payments for the following programs will be shifted during the year: Education (K through 12, excluding Child Development), the University of California, Community Colleges,

the Williamson Act, and Citizens' Option for Public Safety/Juvenile Justice Crime Prevention Act.

The plan will reduce the amount of external borrowing by \$3 billion to \$4 billion in 2008-09, and will result in savings of tens of millions of dollars, depending on interest rates and external borrowing issuance timing. This plan could potentially result in improving rating agencies' perception of the state's credit and saving millions in associated borrowing costs.

FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

The statewide integrated Financial Information System for California (FI\$Cal) is a multiyear information technology project that will replace and integrate the functions of numerous aging fiscal management systems in state government. In so doing, FI\$Cal will enable the state to avoid major costs to replace those systems. The project will also prepare the state's financial management employees to operate in the new integrated environment. The Budget includes an increase of \$37.7 million from the FI\$Cal Internal Services Fund and 208.3 positions for continued procurement, project team development and training and baseline documentation efforts for the FI\$Cal project.

HEALTH BENEFITS FOR ANNUITANTS AND ACTIVE EMPLOYEES

The Budget includes savings of \$91.7 million General Fund for 2008-09 resulting from CalPERS Board approved Health Benefit Rate increases being lower than originally projected and \$17.5 million General Fund savings from shifting health premium payments to the Public Employees' Contingency Reserve Fund (Medicare Part D).

REIMBURSABLE STATE MANDATES PROGRAM

ESTIMATED CLAIMS

The Budget includes a one-time savings of \$75 million by eliminating payments for estimated reimbursement claims. This change to the local government reimbursement process does not reduce the total reimbursement amounts payable to local governments.

PRIOR YEAR MANDATE REIMBURSEMENT CLAIMS

The California Constitution requires the state to reimburse cities, counties, and special districts for mandated costs incurred prior to 2004-05 over a term of years. Chapter 72 of the Statutes of 2005 requires the payment of mandated costs incurred prior to 2004-05 to begin in 2006-07 and to be paid over a term of 15 years. The Budget delays the third payment of these claims one year and results in one-time savings of \$75 million. The remaining estimated cost of claims for mandated costs incurred prior to 2004-05 is \$956 million.

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